

BREMER COUNTY
Waverly, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2004

BREMER COUNTY, IOWA
Waverly, Iowa

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A..... 11
Statement of Activities.....	B..... 12-13
Governmental Fund Financial Statements:	
Balance Sheet.....	C..... 14-15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D..... 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E..... 17-18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F..... 19-20
Proprietary Fund Financial Statements:	
Statement of Net Assets	G..... 21
Statement of Revenues, Expenses, and Changes in Fund Net Assets	H..... 22
Statement of Cash Flows.....	I 23
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	J 24
Notes to Financial Statements	25-38
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds39
Budget to GAAP Reconciliation40
Notes to Required Supplementary Information – Budgetary Reporting	41

TABLE OF CONTENTS

OTHER SUPPLEMENTARY INFORMATION:	<u>Schedule</u>	<u>Page</u>
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	42-43
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances.....	2	44-45
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	46-47
Combining Statement of Changes in Fiduciary Assets and Liabilities	4	48-49
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	5	50
 INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING		 51-52
SCHEDULE OF FINDINGS		53-55

BREMER COUNTY
Waverly, Iowa

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven Reuter	Board of Supervisors.....	January 2005
Gaylord Hinderaker	Board of Supervisors.....	January 2007
James Block	Board of Supervisors.....	January 2005
Marilyn Schnell	County Auditor	January 2005
Sharon Abram	County Treasurer	January 2007
Donna Ellison.....	County Recorder	January 2007
Duane Hildebrandt.....	County Sheriff.....	January 2005
Kasey Wadding	County Attorney	January 2007
Jean Keller	County Assessor	Appointed
Kathy Thoms.....	County Finance and Management	Appointed

Independent Auditors' Report

To the Officials of Bremer County
Waverly, Iowa

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Bremer County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bremer County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities each major fund, and the aggregate remaining fund information of Bremer County at June 30, 2004, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

Independent Auditors' Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2005 on our consideration of Bremer County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages **4 - 10** and **39 - 41** are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Bremer County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two years ended June 30, 2002 (none of which are presented herein) were audited by other auditors, unqualified opinions were given on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

January 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Financial Reporting Procedures adopted by Bremer County reflect the implementation of the Governmental Accounting Standards Board (GASB) Statement 34 which hereby establishes new requirements for annual financial reports of state and local governments. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004.

This statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information such as managers, legislative officials, creditors, financial analysts, citizen groups and the general public. The minimum required financial presentation under GASB 34 includes the five (5) subsequently enumerated items:

1. Management's discussion and analysis (MD&A), which will provide an analysis of Bremer County's financial activities for a fiscal year based on currently known facts, decisions, and conditions.
2. Government-wide financial statement, which will display information about the government as a whole. This statement will measure and report all assets, liabilities, revenues, expenses, gains, and losses using the economic resources measurement focus and accrual basis of accounting.
3. Fund financial statement that will display information about the major funds individually, and the non-major funds in the aggregate. Financial statements will be presented using the current financial resources measurement focus and the modified accrual basis of accounting.
4. Notes to the financial statements.
5. Required supplementary information (other than MD&A), which will include required budgetary comparison information.

CAPITAL ASSET CAPITALIZATION

The Bremer County Board of Supervisors approved a resolution adopting capital assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years and depreciation for estimated useful lives (in years) for GASB 34 reporting:

CAPITAL ASSETS	
Infrastructure	\$50,000
Land, Buildings and Improvements	\$25,000
Equipment and Vehicles	\$5,000

ESTIMATED LIVES FOR DEPRECIATION	
Asset Class	Estimated Useful Lives (In Years)
Buildings	40 to 65
Building Improvements	20 to 50
Infrastructure	30 to 50
Equipment	2 to 20
Vehicles	3 to 10
Construction in progress (Jail)	40 to 65

Individual assets with an initial cost of \$250.00 or more but less than \$5,000.00 will be maintained on an inventory list for public accountability and insurance purposes. The \$250.00-\$5,000.00 internal management control will not be reflected in the financial statements.

Infrastructure assets are long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets in Bremer County include roads and bridges.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities:

The statement of net assets presents all of Bremer County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

Bremer County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Service, and Secondary Roads, 3) the Debt Service, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measure cash and all other financial assets that can readily be converted to cash. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. The governmental funds required financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.
2. Proprietary funds account for the County's employee group health insurance, internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The proprietary funds required financial statements include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.
3. Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for emergency management services, assessor, and private organizations. Agency funds

are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basis financial statements. The notes to the financial statements can found beginning on page 25.

Supplemental Information

The supplemental information begins on page 39 and provides detailed information about the non-major governmental funds and the individual agency funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted, net assets may serve over time as a useful indicator of financial position.

Bremer County's combined net assets were increased approximately 8% from a year ago, increasing from \$20.5 million to \$22.5 million. Our analysis below focuses on the net assets and changes in net assets of the County's governmental activities.

Net Assets of Governmental Activities

	(Expressed in Thousands)	
	2004	2003
Current and other assets	\$16,628	\$ 12,143
Capital assets	18,232	15,123
Total assets	34,860	27,266
Long-term debt outstanding	5,620	1,089
Other liabilities	6,726	5,601
Total liabilities	12,346	6,690
Net assets:		
Invested in capital assets, net of debt	16,514	14,797
Restricted	4,476	4,640
Unrestricted	1,524	1,139
Total net assets	\$22,514	\$ 20,576

Net assets of the County's governmental activities increased by 9% during fiscal year 2004. The largest portion of the County's net assets is the Invested in Capital Assets (e.g., land infrastructure, buildings, and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Unrestricted net assets – the part of net assets that can be used to finance day – to – day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$1,139,000 at July 1, 2003 to \$1,524,000 at the end of this year, an increase of 34%.

This increase of approximately \$385,000 in unrestricted net assets was a result of decreased expenditure in roadway maintenance. The County has restricted the unused proceeds of General Obligation Local Option Tax Bonds in the Capital Projects Fund.

Changes in Net Assets of Governmental Activities

	(Expressed in Thousands)	
	2004	2003
Program Revenues:		
Charges for service and sales	\$ 1,680	\$ 1,414
Operating grants and contributions	3,449	3,107
Capital grants and contributions	1,116	118
Property taxes	4,686	4,228
Unrestricted investment earnings	85	129
Other general revenues	1,167	859
Total revenues	12,183	9,855
Program Expenses:		
Public safety and legal services	1,942	1,620
Physical health and social services	479	414
Mental health	1,538	1,543
County environment and education	1,446	656
Roads and transportation	3,865	2,962
Government services to residents	450	380
Administration or general government	1,312	1,370
Interest on long-term debt	27	8
Total expenses	11,059	8,953
Increase in net assets	1,124	902
Net assets July 1, 2003	21,390	19,674
Net assets June 30, 2004	\$22,514	\$ 20,576

The County's total revenues increased by 24% (\$2,328,000). The total cost of all programs and services increased a similar amount (\$2,106,000 or 24%) with a new capital project added this year. Even with this modest growth of revenues, the County's coverage of this year's costs was moderate.

Governmental Activities

The results of governmental activities for the year resulted in Bremer County's net assets increasing in value by \$1,124,000. Revenues for governmental activities increased by \$2,328,000 over the prior year, with property tax revenue up from the prior year by \$458,000 or 11%.

The county maintained property tax rates in 2004.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$10.2 million, which is \$3,000,000 above last year's total of \$6.7 million. The County funds expended \$2,139,000 more than that received in operating revenue for the year. The following are the major reasons for the changes in fund balances from the prior year.

- General Fund revenues and expenditures increased moderately when compared to the prior year. The ending fund balance showed a 12% decline from the prior year of \$1,920,626 to \$1,683,155.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures increased \$1,221 from the prior year. The Mental Health Fund balance at year end decreased by \$45,000 over the prior year.
- The Secondary Roads Fund expenditures increased by 20% over the prior year due principally to a increase in roadway clearing and new equipment. This increase in expenditures resulted in an decrease in the Secondary Roads Fund balance of \$501,400.
- During the year ended June 30, 2004 the County issued \$751,915 of Local Option Sales and Services Tax Revenue Anticipatory Notes to help finance construction of a new Law Enforcement Center. The proceeds from the note issue were placed in a Capital Project Fund set up to account for this major project. The county also issued \$4,820,000 on General Obligation Local Option Sales and Services Tax Bonds.
- The solid waste closure fund is utilized to account for the accumulation of funds for closure and postclosure costs at the point in time that the landfill no longer accepts waste. The County has reserved \$1,683,631 of fund balance to demonstrate financial assurance as required by State and federal requirements. The balance was increased during the year by \$45,632 of interest.

BUDGETARY HIGHLIGHTS

Over the course of the year, the County amended the operating budget. The amendment was made on April 5, 2004. This amendment was made to provide for additional expenditures in certain County departments, and to reflect the proceeds of the General Obligation Local Option Sales and Services Tax Bonds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, the County had \$30.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$3,102,785, or 11% over the last year.

Capital Assets at Year End of Governmental Activities

(Expressed in Thousands)

	2004	2003
Land	\$970	\$870
Buildings and improvements	5,346	3,743
Machinery and equipment	6,405	6,283
Infrastructure	18,171	15,689
Totals	<u>\$30,892</u>	<u>\$26,585</u>

This year's major additions included (in thousands)

Roads and Bridges	\$1,281	\$302
Secondary roads equipment	241	316
Law Enforcement Center Project	1,716	447
County Sheriff vehicles	54	76
	<u>\$3,292</u>	<u>\$1,141</u>

The County had depreciation expense of \$1,216,348 for the year ended June 30, 2004 and total accumulated depreciation as of June 30, 2004 of \$12,660,112.

The County's fiscal year 2004 capital budget included \$5,945,000 for capital projects, principally for the addition to the roadways, conservation land and the Law Enforcement Center. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Debt Administration

At year-end, the County had \$4,945,000 in notes and other debt compared to \$326,000 last year as shown below. Closure and postclosure costs estimates were increased in the current year by \$26,000 to \$788,000.

Outstanding Debt at Year-End of Governmental Activities

(Expressed in Thousands)

	2004	2003
General obligation notes and bonds	\$4,945	\$175
Anticipatory notes	0	151
Closure and postclosure cost estimate	788	762
Compensated absences	326	265
Sick leave conversion	6	16

Totals

\$6,065 \$1,369

Debt increased as a result of issuing General Obligation Local Option Sales and Services Tax Bonds for the law enforcement center.

Other obligations include accrued vacation pay and sick leave. More detailed information about the County's long-term liabilities is presented in Note 7 to the financial statements.

Business Type Activities

The enterprise fund is used to account for the operation of mental health facilities for Bremer County residents through the rental and use of County owned homes, apartment buildings, and the support of various user charges. During the fiscal year ended June 30, 2004, net assets were reduced by \$118,306. Revenues increased 10%, primarily in intergovernmental charges for services. Expenses were 16% more than the prior year, mainly because of salaries. Operations and depreciation expenses were slightly increased.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials and citizens considered many factors when setting the 2004 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.3% versus 4.5% a year ago. This compares with the State's unemployment rate of 4.7% and the national rate of 5.4%.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 2.73 % for fiscal year 2003 compared with the national rate of 3.0%. The residential housing market has been active in 2003-2004.

These indicators were taken into account when adopting the General Fund budget for 2004. Amounts available for appropriation in the General Fund budget are \$4.1 million, a decrease of 21% over the final 2003 budget. Budgeted disbursements are expected to decrease by approximately \$279,099. The County has added no major new programs to the 2004 budget.

If these estimates are realized, the County's budgetary General Fund balance is expected to decrease by the close of 2004.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Bremer County, 415 E. Bremer, Waverly, Iowa.

BREMER COUNTY
Waverly, Iowa

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash & Pooled Investments	\$10,612,060	\$109,369	\$10,721,429
Receivables			
Property Tax			
Delinquent	36,560	0	36,560
Succeeding Year	5,124,607	0	5,124,607
Interest & Penalty On Property Tax	1,502	0	1,502
Accounts	103,475	103,837	207,312
Accrued Interest	55,583	68	55,651
Due From Other Governments	330,824	0	330,824
Loans Receivable	15,000	0	15,000
Inventories	260,329	0	260,329
Prepaid Insurance	88,658	0	88,658
Capital Assets (Net of Accumulated Depreciation)	18,231,890	397,645	18,629,535
TOTAL ASSETS	\$34,860,488	\$610,919	\$35,471,407
LIABILITIES			
Accounts Payable	\$811,731	\$19,350	\$831,081
Salaries & Benefits Payable	173,084	69,769	242,853
Due To Other Governments	135,240	0	135,240
Deferred Revenue			
Succeeding Year Property Tax	5,124,607	0	5,124,607
Other	21,922	0	21,922
Accrued Interest Payable	15,962	0	15,962
Long Term Liabilities			
Portion Due Or Payable Within One Year			
General Obligation Notes	50,000	0	50,000
General Obligation Bonds	390,000	0	390,000
Compensated Absences	324,427	0	324,427
Sick Leave Conversion	6,011	0	6,011
Portion Due Or Payable After One Year			
General Obligation Notes	75,000	0	75,000
General Obligations Bonds	4,430,000		4,430,000
Closure & Postclosure Costs	788,248	0	788,248
TOTAL LIABILITIES	\$12,346,232	\$89,119	\$12,435,351
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$16,514,036	\$397,645	\$16,911,681
Restricted For:			
Mental Health Purposes	422,439	0	422,439
Secondary Roads Purposes	793,270	0	793,270
Debt Service	22,149	0	22,149
Internal Service	142,242	0	142,242
Other Purposes	1,412,406	0	1,412,406
Closure & Postclosure Care Costs	1,683,631	0	1,683,631
Unrestricted	1,524,083	124,155	1,648,238
TOTAL NET ASSETS	\$22,514,256	\$521,800	\$23,036,056

See Notes To Financial Statements

BREMER COUNTY

Waverly, Iowa

STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues		
		Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
Public Safety & Legal Services	\$1,941,923	\$110,608	\$113,200	\$ 0
Physical Health & Social Services	478,970	85,828	228,791	0
Mental Health	1,538,091	36	793,999	0
County Environment & Education	1,446,077	759,859	146,221	0
Roads & Transportation	3,864,360	4,833	2,030,286	1,116,423
Governmental Services to Residents	449,778	407,626	18,053	0
Administrative Services	1,312,180	16,057	0	0
Non-Program	0	295,754	118,512	0
Interest on Long-Term Debt	27,367	0	0	0
TOTAL GOVERNMENTAL ACTIVITIES	11,058,746	1,680,601	3,449,062	1,116,423
BUSINESS-TYPE ACTIVITIES:				
Mental Health	1,308,976	1,050,498	140,172	0

TOTAL**GENERAL REVENUES:**

Property and Other County Tax Levied For:

General Purposes

Debt Service

Penalties & Interest on Property Tax

State Tax Credits

Local Option Sales and Service Tax

Gain on Sales of Capital Assets

Unrestricted Investment Earnings

Miscellaneous

TOTAL GENERAL REVENUES**CHANGE IN NET ASSETS****NET ASSETS, BEGINNING OF YEAR (as restated Note 12)****NET ASSETS END OF YEAR**

See Notes To Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$(1,718,115)	\$ 0	\$(1,718,115)
(164,351)	0	(164,351)
(744,056)	0	(744,056)
(539,997)	0	(539,997)
(712,818)	0	(712,818)
(24,099)	0	(24,099)
(1,296,123)	0	(1,296,123)
414,266	0	414,266
(27,367)	0	(27,367)
(4,812,660)	0	(4,812,660)
0	(118,306)	(118,306)
4,630,963	0	4,630,963
55,266	0	55,266
34,920	0	34,920
246,505	0	246,505
532,783	0	532,783
(98,467)	0	(98,467)
85,326	0	85,326
449,910	0	449,910
5,937,206	0	5,937,206
1,124,546	(118,306)	1,006,240
21,389,710	640,106	22,029,816
\$22,514,256	\$521,800	\$23,036,056

BREMER COUNTY**Waverly, Iowa****BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2004

	General	Special Revenue	
		Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments	\$1,688,251	\$628,536	\$31
Receivables			
Property Tax			
Delinquent	17,215	7,604	11,427
Succeeding Year	2,631,615	1,162,369	1,280,512
Interest & Penalty on Property Tax	1,502	0	0
Accounts	14,134	5,031	0
Accrued Interest	13,340	0	0
Due From Other Governments	71,112	3,185	498
Loans Receivable	0	0	0
Inventories	0	0	0
Prepaid Insurance	51,168	0	0
TOTAL ASSETS	\$4,488,337	\$1,806,725	\$1,292,468

LIABILITIES AND FUND BALANCES

Liabilities			
Accounts Payable	\$54,212	\$91,480	\$0
Salaries and Benefits Payable	100,460	1,656	0
Due To Other Governments	5,086	121,227	0
Deferred Revenue			
Succeeding Year Property Tax	2,631,615	1,162,369	1,280,512
Other	13,809	6,100	8,424
Total Liabilities	2,805,182	1,382,832	1,288,936
Fund Balances			
Reserved For:			
Inventories	0	0	0
Debt Service	0	0	0
Closure/Postclosure	0	0	0
Unreserved, Reported In:			
General Fund	1,683,155	0	0
Special Revenue Funds	0	423,893	3,532
Capital Projects Fund	0	0	0
Total Fund Balances	1,683,155	423,893	3,532
TOTAL LIABILITIES AND FUND BALANCES	\$4,488,337	\$1,806,725	\$1,292,468

See Notes To Financial Statements

Exhibit C

Special Revenue		Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Secondary Roads	Solid Waste Closure				
\$642,877	\$1,673,874	\$22,421	\$3,560,438	\$2,046,576	\$10,263,004
0	0	314	0	0	36,560
0	0	50,111	0	0	5,124,607
0	0	0	0	0	1,502
869	0	0	0	83,441	103,475
0	9,757	0	4,096	28,108	55,301
155,399	0	27	0	100,603	330,824
0	0	0	0	15,000	15,000
260,329	0	0	0	0	260,329
31,231	0	0	0	6,259	88,658
<u>\$1,090,705</u>	<u>\$1,683,631</u>	<u>\$72,873</u>	<u>\$3,564,534</u>	<u>\$2,279,987</u>	<u>\$16,279,260</u>
\$106,682	\$0	\$0	\$337,388	\$14,873	\$604,635
63,082	0	0	0	7,886	173,084
0	0	0	0	8,927	135,240
0	0	50,111	0	0	5,124,607
0	0	252	0	15,000	43,585
<u>169,764</u>	<u>0</u>	<u>50,363</u>	<u>337,388</u>	<u>46,686</u>	<u>6,081,151</u>
260,329	0	0	0	0	260,329
0	0	22,510	0	0	22,510
0	1,683,631	0	0	0	1,683,631
0	0	0	0	0	1,683,155
660,612	0	0	0	2,233,301	3,321,338
0	0	0	3,227,146	0	3,227,146
<u>920,941</u>	<u>1,683,631</u>	<u>22,510</u>	<u>3,227,146</u>	<u>2,233,301</u>	<u>10,198,109</u>
<u>\$1,090,705</u>	<u>\$1,683,631</u>	<u>\$72,873</u>	<u>\$3,564,534</u>	<u>\$2,279,987</u>	<u>\$16,279,260</u>

**BREMER COUNTY
Waverly, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS**

June 30, 2004

Total governmental fund balances (page 14-15)	\$10,198,109
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*Amounts reported for governmental activities in the statement of net assets
are different because:*

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	18,231,890
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Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	5,701
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Internal service funds are used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	142,242
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Long-term liabilities, including bonds and notes payable, accrued interest payable and compensated absences payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(6,063,686)</u>
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Net assets of governmental activities (page 11)	<u><u>\$22,514,256</u></u>
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See notes to financial statements.

BREMER COUNTY
Waverly, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

		Special Revenue	
	General	Mental Health	Rural Services
REVENUES			
Property & Other County Tax	\$2,684,532	\$615,157	\$1,320,209
Interest & Penalty on Property Tax	44,451	0	0
Intergovernmental	554,825	826,123	69,033
Licenses & Permits	152,216	0	0
Charges for Services	566,539	36	0
Use of Money & Property	132,892	0	0
Miscellaneous	225,985	45,511	0
Total Revenues	4,361,440	1,486,827	1,389,242
EXPENDITURES			
Operating			
Public Safety & Legal Services	1,840,744	0	50,000
Physical Health & Social Services	483,770	0	0
Mental Health	0	1,531,881	0
County Environment & Education	625,263	0	123,755
Roads & Transportation	0	0	0
Governmental Services to Residents	452,089	0	0
Administrative Services	1,081,711	0	0
Debt Service	0	0	0
Capital Projects	0	0	0
Total Expenditures	4,483,577	1,531,881	173,755
Excess (Deficiency) of Revenues Over (Under) Expenditures	(122,137)	(45,054)	1,215,487
Other Financing Sources (Uses)			
Sale of Capital Assets	13,303	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(120,470)	0	(1,216,677)
General Obligation Bonds Issued	0	0	0
Proceeds of Anticipatory Warrants	0	0	0
Total Other Financing Sources (Uses)	(107,167)	0	(1,216,677)
Net Change in Fund Balances	(229,304)	(45,054)	(1,190)
Fund Balances – Beginning of Year	1,920,626	468,947	4,722
Decrease in Reserve For Notes Receivable	(8,167)	0	0
Increase in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$1,683,155	\$423,893	\$3,532

See Notes To Financial Statements

Exhibit E

Special Revenue		Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Secondary Roads	Solid Waste Closure				
\$0	\$0	\$55,104	\$0	\$532,783	\$5,207,785
0	0	0	0	0	44,451
2,011,728	0	2,886	0	180,331	3,644,926
3,595	0	0	0	0	155,811
4,833	0	0	0	703,072	1,274,480
0	45,632	0	8,920	36,395	223,839
20,858	0	0	0	81,531	373,885
2,041,014	45,632	57,990	8,920	1,534,112	10,925,177
0	0	0	0	0	1,890,744
0	0	0	0	0	483,770
0	0	0	0	0	1,531,881
0	0	0	0	532,402	1,281,420
3,377,603	0	0	0	0	3,377,603
0	0	0	0	5,357	457,446
0	0	0	0	0	1,081,711
0	0	56,256	908,962	0	965,218
541,568	0	0	1,408,257	44,293	1,994,118
3,919,171	0	56,256	2,317,219	582,052	13,063,911
(1,878,157)	45,632	1,734	(2,308,299)	952,060	(2,138,734)
0	0	0	0	0	13,303
1,337,147	0	0	0	421,461	1,758,608
0	0	0	0	(421,461)	(1,758,608)
0	0	0	4,787,610	0	4,787,610
0	0	0	751,915	0	751,915
1,337,147	0	0	5,539,525	0	5,552,828
(541,010)	45,632	1,734	3,231,226	952,060	3,414,094
1,422,363	1,637,999	20,776	(4,080)	1,281,241	6,752,594
0	0	0	0	0	(8,167)
39,588	0	0	0	0	39,588
\$920,941	\$1,683,631	\$22,510	\$3,227,146	\$2,233,301	\$10,198,109

**BREMER COUNTY
Waverly, Iowa**

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004**

Net change in fund balances - Total governmental funds (page 18) \$3,414,094

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$2,379,615	
Contribution from Farm-to-Market	1,116,422	
Depreciation Expense	<u>(1,216,348)</u>	2,279,689

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. (98,467)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property taxes		1,696
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long – term liabilities in the Statement of Net Assets. Current year debt issues exceeded debt repayment as follows:

Notes Issued	(5,539,525)	
Principal Payments	<u>953,292</u>	(4,586,233)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Postclosure costs	(25,919)	
Compensated absences	(58,840)	
Interest on long-term debt	(15,441)	
Sick Leave Conversion	<u>4,488</u>	(95,712)

Prepaid Expenses and inventories in the governmental funds have been recorded as expenditures when paid. However, the statement of activities will report these items in the expenditures in the period that the corresponding net asset is exhausted.

Inventories	(39,588)	
Prepaid Items	25,979	
Other	<u>(664)</u>	(14,273)

Exhibit F (Continued)

The Internal Service Funds is used by management to charge the costs of employee health benefits to individual funds. The net revenue of the Internal Service Fund is reported with governmental funds.

\$223,752

Change in net assets of governmental funds (page 12-13)

\$1,124,546

See Notes to Financial Statements

**BREMER COUNTY
Waverly, Iowa****STATEMENT OF NET ASSETS AND LIABILITIES
PROPRIETARY FUNDS
June 30, 2004**

	Internal Service Employee Group Health	Enterprise Community Based And Case Management Services	Total
ASSETS			
Cash & Cash Equivalents	\$349,056	\$109,369	\$458,425
Receivables			
Accounts	0	103,837	103,837
Accrued Interest	283	68	351
Property & Equipment	0	612,221	612,221
Accumulated Depreciation	0	(214,576)	(214,576)
TOTAL ASSETS	\$349,339	\$610,919	\$960,258
LIABILITIES			
Accounts Payable	\$207,096	\$19,350	\$226,446
Accrued Salaries	0	69,769	69,769
TOTAL LIABILITIES	\$207,096	\$89,119	\$296,215
NET ASSETS			
Unrestricted	\$142,243	\$521,800	\$664,043

See Notes To Financial Statements

BREMER COUNTY
Waverly, Iowa

STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Internal Service Employee Group Health	Enterprise Community Based And Case Management Services	Total
OPERATING REVENUES			
Reimbursements From Operating Funds	\$867,991	\$0	\$867,991
Reimbursements From Employees	186,529	0	186,529
Intergovernmental Charges For Services	0	989,867	989,867
Other Charges For Services	0	60,631	60,631
Building Rent	0	129,470	129,470
Miscellaneous	0	9,409	9,409
Total Operating Revenues	1,054,520	1,189,377	2,243,897
OPERATING EXPENSES			
Medical Claims	637,169	0	637,169
Insurance Premiums	154,939	0	154,939
Administrative Fees	41,227	0	41,227
Salaries & Benefits	0	782,015	782,015
Operations & Supplies	0	489,514	489,514
Depreciation	0	37,447	37,447
Total Operating Expenses	833,335	1,308,976	2,142,311
Operating Income (Loss)	221,185	(119,599)	101,586
NON-OPERATING REVENUES (EXPENSES)			
Interest on Investments	2,567	1,293	3,860
Total Non-Operating Revenues (Expenses)	2,567	1,293	3,860
Net Income (Loss)	223,752	(118,307)	105,446
Net Assets Beginning of Year (as restated, note 12)	(81,509)	640,106	558,597
Net Assets End of Year	\$142,243	\$521,800	\$664,043

See Notes To Financial Statements

Exhibit I**BREMER COUNTY
Waverly, Iowa****STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004**

	Internal Service Employee Group Health	Enterprise Community Based And Case Management Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received From Operating Fund Reimbursements	\$867,992	\$0	\$867,992
Cash Received From Employees & Others	186,529	1,098,345	1,284,874
Cash Payments To Suppliers For Services	(821,609)	(1,182,410)	(2,004,019)
Net Cash Provided By (Used In) Operating Activities	232,912	(84,065)	148,847
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES			
Loan Payment	0	(8,167)	(8,167)
Net Cash Used For Capital & Related Financing Activities	0	(8,167)	(8,167)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on Investments	2,379	1,433	3,812
Net Increase (Decrease) in Cash & Cash Equivalents	235,291	(90,799)	144,492
Cash & Cash Equivalents at Beginning of Year	113,765	200,168	313,933
Cash & Cash Equivalents at End of Year	\$349,056	\$109,369	\$458,425
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating Income (Loss)	\$221,185	\$(119,599)	\$101,586
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities			
Increase In Accounts Receivable	0	(91,032)	(91,032)
Increase In Accounts Payable	11,727	89,119	100,846
Depreciation	0	37,447	37,447
Net Cash Provided By (Used In) Operating Activities	\$232,912	\$(84,065)	\$148,847

See Notes To Financial Statements

Exhibit J

**BREMER COUNTY
Waverly, Iowa**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004**

ASSETS

Cash & Pooled Investments	
County Treasurer	\$936,202
Other County Officials	38,690
Receivables	
Property Tax	
Delinquent	16,279
Succeeding Year	16,080,520
Accounts	22,778
Accrued Interest	85
Due from Other Governments	15,191
TOTAL ASSETS	17,109,745

LIABILITIES

Accounts Payable	3,377
Salaries & Benefits Payable	9,997
Due To Other Governments	17,007,325
Trusts Payable	89,046
TOTAL LIABILITIES	17,109,745

NET ASSETS	\$0
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See Notes To Financial Statements

BREMER COUNTY
Waverly, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Bremer County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Bremer County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Bremer County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities that are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Ten drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Though these districts are legally separate from the County, they are controlled, managed and supervised by the Bremer County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Bremer County Auditor's office.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Bremer County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Bremer County Assessor's Conference Board, Bremer County Emergency Management Commission, and Bremer County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in an Agency Fund of the County.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The statement of net assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the secondary road construction and maintenance.

The Solid Waste Closure Fund is used to account for the reserves to be used for closure and post closure expenditures of the landfill, when the landfill no longer accepts solid waste.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's general long term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally the County reports the following funds:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the county and provided to other departments or agencies on a cost reimbursement basis.

An Enterprise Fund is used to finance and account for the operation of mental health facilities for Bremer County residents through the rental and use of county owned apartment buildings and the support of various user charges.

Fiduciary Funds - Agency funds are used to account for assets held by the county as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary funds and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However principal and interest on long term debt, claims, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the county funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply the cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary funds of the county applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements of Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund and enterprise fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial statements.

D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, they have a maturity date no longer than three months.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$50,000
Land, Buildings and Improvements	25,000

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Capital assets of the County is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>(In Years)</u>	Estimated Useful Lives
Buildings	40-65	
Building Improvements	20-50	
Infrastructure	30-50	
Equipment	2-20	
Vehicles	3-10	

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as delinquent property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed amounts budgeted in any function, however, disbursement in certain departments exceeded the amounts appropriated.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. The County's investments are all Category 1, which means that the investments are insured or registered or the securities are held by the County or its agent in the County's name.

Note 3: Loans Receivable

The County has \$101,518 available to use for economic development within the County, of which \$15,000 is loaned out and receivable at June 30, 2004. The County may make new loans from repayments of both principal and interest. As of June 30, 2004, there is one outstanding loan.

On June 11, 2003, the County loaned Waverly Shell Rock Soccer Association a sum of \$15,000 at 5% interest payable on December 11, 2003 and every six months thereafter. The principle is due on December 11, 2005. Partial or total prepayment of principal or interest may be made at any time without penalty.

Notes to Financial Statements (Continued)

Note 4 : Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:		
Secondary Roads	General Basic	\$ 120,470
Secondary Roads	Rural Services	1,216,677
Local Option Tax Reserve	Local Option Sales Tax	392,471
Local Option Sinking	Local Option Sales Tax	28,990
Trust and Agency:		
County Assessor	Special Appraisal	35,766
Total		<u>\$ 1,794,374</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5 : Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$870,196	\$100,200	\$0	\$970,396
Construction in progress	151,377	1,716,338	0	1,867,715
Total capital assets not being depreciated	1,021,573	1,816,538	0	2,838,111
Capital assets being depreciated:				
Buildings	1,605,877	0	175,093	1,430,784
Improvements other than buildings	1,986,037	61,593	0	2,047,630
Machinery and equipment	5,511,499	316,672	187,267	5,640,904
Vehicles	772,017	81,431	89,999	763,449
Infrastructure, road network	16,892,214	1,281,396	2,486	18,171,124
Total capital assets being depreciated	26,767,644	1,741,092	454,845	28,053,891
Less accumulated depreciation for:				
Buildings	699,574	18,955	23,743	694,786
Improvements other than buildings	108,652	53,934	0	162,586
Machinery and equipment	3,722,489	386,776	187,267	3,921,998
Vehicles	522,450	85,378	83,361	524,467
Infrastructure, road network	6,672,081	684,571	377	7,356,275
Total accumulated depreciation	11,725,246	1,229,614	294,748	12,660,112
Total capital assets being depreciated, net	15,042,398	511,478	160,097	15,393,779
Governmental activities capital assets, net	\$16,063,971	\$2,328,016	\$160,097	\$18,231,890

Notes to Financial Statements (Continued)

Note 5 : Capital Assets (Continued)

Depreciation was charged to functions of the primary government as follows:

Governmental activities:		
Public safety and legal services		\$53,743
Physical health and social services		572
Mental health		7,699
County environment and education		168,502
Roads and transportation		903,109
Governmental services to residents		2,730
Administrative services		79,993
Total depreciation expense – governmental activities		<u>\$1,216,348</u>

Note 6 : Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	<u>\$ 5,086</u>
Special Revenue:		
Mental Health	Services	121,227
Sanitary Landfill	Services	8,927
		<u>130,154</u>
Total for governmental funds		<u>\$ 135,240</u>
Trust & Agency:		
Agricultural Extension	Collections	\$ 147,574
Assessor & Special Appraisal		489,298
Schools		9,111,178
Area Schools		702,957
Corporations		5,719,530
Auto License & Use Tax		529,356
All Others		307,277
Total for agency funds		<u>\$ 17,007,170</u>

Notes to Financial Statements (Continued)

Note 7 : Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004, is as follows:

	General Obligation Courthouse Notes	General Obligation LOSST Bonds	Estimated Liability for Landfill Closure/ Postclosure Care Costs	Early Retirement	Compensated Absences	LOSST Revenue Anticipatory Notes	Total
Balance beginning of year,	\$175,000	\$0	\$762,329	\$10,499	\$265,587	\$151,377	\$1,364,792
Additions	0	4,820,000	25,919	7,747	60,510	751,915	5,666,091
Reductions	50,000	0	0	12,235	0	903,292	965,527
Balance end of year	\$125,000	\$4,820,000	\$788,248	\$6,011	\$326,097	\$0	\$6,065,356
Due in one year	\$50,000	\$390,000	\$0	\$6,011	\$326,097	\$0	\$772,108

Early Retirement

The County approved an early retirement policy during the year ended June 30, 2003. Applicants must submit a written request to the department head at least fourteen days prior to the date the employee wishes to retire. Eligible employees are those who are eligible to retire under the rule of IPERS or those who have a doctor certified disability. The benefits will be a lump sum which will be applicable to the continuance of the employee's health care insurance under the County plan. The lump sum calculation will be the employee's sick leave hours unused at the time of retirement (1/2 of the hours for employees with less than ten years service) times 1/2 of the employee's last hourly pay. The County paid \$12,235 in early retirement benefits during the year ended June 30, 2004. A liability has been recorded representing the County's commitment to fund non-current early retirement obligations.

Landfill Closure Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as a liability based on landfill capacity used as of each balance sheet date. The \$788,248 reported as estimated liability for landfill closure and postclosure care costs at June 30, 2004, represents the cumulative amount reported to date based on the used of 66 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated costs of closure and postclosure care of \$406,067 as the remaining estimated capacity is used. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2004. The County expects to close the landfill in the year 2020. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

In anticipation of State regulations requiring municipal solid waste landfills to demonstrate financial responsibility for the costs of closure and postclosure care, the County has reserved \$1,683,631 of funds as of June 30, 2004 for such purpose. These funds are reflected as reserved fund balance within the Special Revenue, Solid Waste Closure Fund.

Notes to Financial Statements (Continued)

Note 7 : Changes in Long-Term Liabilities (Continued)

Notes Payable

A summary of the County's June 30, 2004 General Obligation indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2005	3.85%	\$50,000	\$4,331	\$54,331
2006	3.85	50,000	2,406	52,406
2007	3.85%	25,000	482	25,482
		<u>\$125,000</u>	<u>\$7,219</u>	<u>\$132,219</u>

During the year ended June 30, 2004, the County retired \$50,000 of notes.

Bonds Payable

A summary of the County's June 30, 2004 General Obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2005	2.00%	\$390,000	\$187,213	\$577,213
2006	2.50	415,000	163,693	578,693
2007	2.60	420,000	153,318	573,318
2008	3.00	435,000	142,398	577,398
2009	3.25	160,000	129,347	289,347
2014	3.50-3.85	880,000	559,667	1,439,667
2019	3.95-4.35	1,075,000	376,195	1,451,195
2023	4.40-4.60%	1,045,000	121,422	1,166,422
		<u>\$4,820,000</u>	<u>\$1,833,253</u>	<u>\$6,653,253</u>

During the year ended June 30, 2004, the County issued \$4,820,000 in General Obligation bonds.

Note 8 : Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 4.99% and 7.48%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$259,392, \$248,247, and \$236,232, respectively, equal to the required contributions for each year.

Notes to Financial Statements (Continued)

Note 9 : Risk Management

Bremer County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund expenses and reinsurance expenses due and payable in the current year, plus all of any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of an deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The County's property and casualty contribution to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2004 were \$107,089.

The Pool uses reinsurance and excess risk sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$50,000 per accident, each location, with excess coverage reinsured on an individual member basis. All property risks are reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk sharing protection provided by the member's risk sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such losses can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of their capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

Notes to Financial Statements (Continued)

Note 9 : Risk Management (Continued)

The County also carries commercial insurance purchased from another insurer for coverage associated with worker's compensation and employee blanket bond in the amount of \$5,000,000 and \$300,000 respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 : Employee Health Insurance Plan

The Bremer County Employees Group Health Fund was established to account for the County's health insurance benefit plan. This plan was funded by both employee and County contributions and was administered through a service agreement with Wellmark Blue Cross and Blue Shield of Iowa. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitations of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Bremer County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed were paid to Wellmark Blue Cross and Blue Shield of Iowa from the Bremer County Employee Group Health Fund. The County records the plan assets and related liabilities of the Bremer County Employee Group Health Fund as an Internal Service Fund. The County and employees' contributions to the fund for the year ended June 30, 2004 were \$1,054,520.

Amounts payable from the Bremer County Employee Group Health Fund at June 30, 2004 total \$207,096 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims, and to establish a reserve for catastrophic losses. That reserve had a balance of \$142,243 at June 30, 2004 and is reported as a designation of the Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage for the current year as follows:

Unpaid Claims as of July 1, 2003	<u>\$ 195,368</u>
Incurred Claims (including claims incurred but not reported as of June 30, 2004):	
Provision for current-year events where the County has retained risk of loss	635,169
Increase in provision for prior years' events where the County has retained risk of loss	<u>2,000</u>
Total incurred claims	<u>637,169</u>
Payments:	
Claims attributable to current-year events where the County has retained risk of loss	428,073
Claims attributable to prior years' events where The County has retained risk of loss	<u>197,368</u>

Total payments	<u>625,441</u>
Unpaid Claims at June 30, 2004	<u>\$ 207,096</u>

Notes to Financial Statements (Continued)

Note 11 : E-911 Capital Loan Notes

During the year ended June 30, 2001, the E-911 board issued \$125,000 in capital loan notes, with an interest rate of 5.00 percent. The funds were used to purchase a new E-911 radio communication computer system.

Details of the notes are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2005	5%	\$26,189	\$2,684	\$28,873
2006	5%	27,473	1,382	28,855
		<u>\$53,662</u>	<u>\$4,066</u>	<u>\$ 57,728</u>

The loan shall not be a general obligation of the County nor shall it be payable in any manner by taxation and the County shall not be liable by reason of the failure of the surcharge revenues, investment earnings or moneys available in the E-911 Fund. The loan is payable solely from and secured by a pledge of telephone surcharge revenues. The liability of these notes at June 30, 2004 is not recorded in the long-term debt since the bonds are to be paid from other than County resources.

Note 12 : Restatement of Beginning Net Assets

In beginning net assets of the governmental activities were restated due to an error in the calculation of capital assets and accumulated depreciation for fiscal year 2003. The balance was increased by \$813,938 from \$20,575,772 to \$21,389,710.

The beginning net assets of the Enterprise Fund-Community Based Services/Case Management were restated due to an error in the calculation of capital assets and accumulated depreciation in fiscal year 2003. The balance was increased by \$99,221 from \$540,885 to \$640,106.

BREMER COUNTY
Waverly, Iowa

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2004

	Governmental Fund Types Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Actual Variance Positive (Negative)
				Original	Final	
RECEIPTS						
Property & Other County Tax	\$5,104,166	\$ 0	\$5,104,166	\$5,227,743	\$5,227,743	\$(123,577)
Interest & Penalty on Property Tax	43,045	0	43,045	8,200	8,200	34,845
Intergovernmental	3,606,871	0	3,606,871	3,689,070	3,712,070	(105,199)
Licenses & Permits	158,034	0	158,034	121,320	123,320	34,714
Charges for Services	1,291,587	0	1,291,587	991,161	994,661	296,926
Use of Money & Property	234,930	0	234,930	304,350	304,350	(69,420)
Miscellaneous	319,832	0	319,832	139,403	691,403	(371,571)
Total Receipts	10,758,465	0	10,758,465	10,481,247	11,061,747	(303,282)
DISBURSEMENTS						
Public Safety & Legal Services	1,851,774	0	1,851,774	2,000,542	2,015,842	164,068
Physical Health & Social Services	471,751	0	471,751	550,189	550,189	78,438
Mental Health	1,630,134	0	1,630,134	1,816,391	1,816,391	186,257
County Environment & Education	1,251,996	0	1,251,996	1,225,152	1,368,352	116,356
Roads & Transportation	3,251,127	0	3,251,127	3,254,200	3,254,200	3,073
Governmental Services to Residents	445,714	0	445,714	462,889	474,389	28,675
Administrative Services	1,045,248	0	1,045,248	1,122,286	1,141,586	96,338
Debt Service	965,218	0	965,218	56,257	56,257	(908,961)
Capital Projects	1,659,508	0	1,659,508	1,135,000	5,945,000	4,285,492
Total Disbursements	12,572,470	0	12,572,470	11,622,906	16,622,206	4,049,736
Deficiency of Receipts Under Disbursements	(1,814,005)	0	(1,814,005)	(1,141,359)	(5,560,459)	3,746,454
Other Financing Sources, Net	5,667,393	0	5,667,393	0	4,940,000	727,393
Deficiency of Receipts & Other Financing Sources Under Disbursements & Other Financing Uses	3,853,388	0	3,853,388	(1,141,359)	(620,459)	4,473,847
Balance Beginning of Year	6,409,613	6,710	6,402,903	4,703,307	4,703,307	1,699,596
Balance End of Year	\$10,263,001	\$6,710	\$10,256,291	\$3,561,648	\$4,082,848	\$6,173,443

See Accompanying Independent Auditors' Report

BREMER COUNTY
Waverly, Iowa

BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2004

	Governmental Fund Types		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$10,758,465	\$166,712	\$10,925,177
Expenditures	12,572,470	491,441	13,063,911
Net	(1,814,005)	(324,729)	(2,138,734)
Other Financing Sources (Uses)	5,667,391	(114,563)	5,552,828
Beginning Fund Balances	6,409,615	342,979	6,752,594
Increase (Decrease) in Reserve For:			
Notes Receivable	0	(8,167)	(8,167)
Inventories	0	39,588	39,588
Ending Fund Balances	\$10,263,001	\$64,892	\$10,198,109

See Accompanying Independent Auditors' Report

**Bremer County
Waverly, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriation lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administrative services, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and expendable trust funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$4,999,300. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, expenditures exceeded the budget in the Debt Service Function and disbursements in certain departments exceeded the amounts appropriated.

BREMER COUNTY
Waverly, Iowa

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2004

	Resource Enhancement & Protection	Recorder's Records Management	Recorder's Electronic Transaction	Sanitary Landfill	Solid Waste Fee	Federal Drug Money
ASSETS						
Cash & Pooled Investments	\$24,286	\$19,426	\$22,732	\$1,166,530	\$1,419	\$8,246
Receivables						
Accounts	0	559	0	78,758	3,533	0
Accrued Interest	21	12	14	27,608	0	7
Due from Other Governments	0	0	0	3,715	0	679
Loans Receivable	0	0	0	0	0	0
Prepaid Insurance	0	0	0	6,259	0	0
TOTAL ASSETS	\$24,307	\$19,997	\$22,746	\$1,282,870	\$4,952	\$8,932
LIABILITIES AND FUND EQUITY						
Liabilities						
Accounts Payable	\$274	\$0	\$0	\$13,067	\$0	\$0
Salaries and Benefits Payable	0	0	0	7,886	0	0
Due to Other Governments	0	0	0	8,927	0	0
Deferred Revenue	0	0	0	0	0	0
Total Liabilities	274	0	0	29,880	0	0
Fund Equity						
Fund Balance						
Unreserved	24,033	19,997	22,746	1,252,990	4,952	8,932
TOTAL LIABILITIES AND FUND EQUITY	\$24,307	\$19,997	\$22,746	\$1,282,870	\$4,952	\$8,932

See Accompanying Independent Auditors' Report

Schedule 1

Tri-County Drug Money Recovery	G.O.LOST Sinking Fund	LOST Reserve Fund	Local Option Sales Tax	Intermediary Relending Program	Rural Enterprise	Drainage Districts	Conservation Land Acquisition	Total
\$23,508	\$28,990	\$500,000	\$17,084	\$101,080	\$15,777	\$6,710	\$110,788	\$2,046,576
0	0	0	0	375	0	0	216	83,441
15	0	20	348	63	0	0	0	28,108
297	0	0	95,912	0	0	0	0	100,603
0	0	0	0	15,000	0	0	0	15,000
0	0	0	0	0	0	0	0	6,259
\$23,820	\$28,990	\$500,020	\$113,344	\$116,518	\$15,777	\$6,710	\$111,004	\$2,279,987
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,532	\$14,873
0	0	0	0	0	0	0	0	7,886
0	0	0	0	0	0	0	0	8,927
0	0	0	0	15,000	0	0	0	15,000
0	0	0	0	15,000	0	0	1,532	46,686
23,820	28,990	500,020	113,344	101,518	15,777	6,710	109,472	2,233,301
\$23,820	\$28,990	\$500,020	\$113,344	\$116,518	\$15,777	\$6,710	\$111,004	\$2,279,987

BREMER COUNTY
Waverly, Iowa

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2004

	Resource Enhancement & Protection	Recorder's Records Management	Recorder's Electronic Transaction	Sanitary Landfill	Solid Waste Fee	Federal Drug Money
Revenues						
Property and Other County Tax	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	12,345	0	0	0	16,777	679
Charges for Services	0	7,304	22,732	620,602	0	0
Use of Money and Property	122	158	14	12,483	0	33
Miscellaneous	0	0	0	58,439	0	0
Total Revenues	12,467	7,462	22,746	691,524	16,777	712
Expenditures						
Operating						
Public Safety and Legal Services	0	0	0	0	0	0
County Environment and Education	3,837	0	0	489,265	34,300	0
Governmental Services to Residents	0	5,357	0	0	0	0
Capital Projects	0	0	0	0	0	0
Total Expenditures	3,837	5,357	0	489,265	34,300	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,630	2,105	22,746	202,259	(17,523)	712
Other Financing Sources						
Sale of Capital Assets	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
	0	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	8,630	2,105	22,746	202,259	(17,523)	712
Fund Balances – Beginning of Year	15,403	17,892	0	1,050,731	22,475	8,220
Fund Balances – End of Year	\$24,033	\$19,997	\$22,746	\$1,252,990	\$4,952	\$8,932

See Accompanying Independent Auditors' Report

Schedule 2

Tri-County Drug Money Recovery	G.O.LOST Sinking Fund	LOST Reserve Fund	Local Option Sales Tax	Intermediary Relending Program	Rural Enterprise	Drainage Districts	Conservation Land Acquisition	Total
\$0	\$0	\$0	\$532,783	\$0	\$0	\$0	\$0	\$532,783
2,604	0	107,529	0	0	0	0	40,397	180,331
0	0	0	0	0	0	0	52,434	703,072
177	0	20	2,022	18,726	0	0	2,640	36,395
0	0	0	0	7,881	1,100	0	14,111	81,531
2,781	0	107,549	534,805	26,607	1,100	0	109,582	1,534,112
0	0	0	0	0	0	0	0	0
0	0	0	0	5,000	0	0	0	532,402
0	0	0	0	0	0	0	0	5,357
0	0	0	0	0	0	0	44,293	44,293
0	0	0	0	5,000	0	0	44,293	582,052
2,781	0	107,549	534,805	21,607	1,100	0	65,289	952,060
0	0	0	0	0	0	0	0	0
0	28,990	392,471	0	0	0	0	0	421,461
0	0	0	(421,461)	0	0	0	0	(421,461)
0	28,990	392,471	(421,461)	0	0	0	0	0
2,781	28,990	500,020	113,344	21,607	1,100	0	65,289	952,060
21,039	0	0	0	79,911	14,677	6,710	44,183	1,281,241
\$23,820	\$28,990	\$500,020	\$113,344	\$101,518	\$15,777	\$6,710	\$109,472	\$2,233,301

BREMER COUNTY
Waverly, Iowa

COMBINING SCHEDULE OF FIDUCIARY
ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash and Pooled Investments				
County Treasurer	\$0	\$738	\$125,328	\$61,261
Other County Officials	38,615	0	0	0
Receivables				
Property Tax				
Delinquent	0	190	262	12,988
Succeeding Year	0	146,564	371,558	9,031,847
Accounts	999	0	0	0
Accrued Interest	0	0	0	0
Due from Other Governments	0	82	113	5,082
TOTAL ASSETS	\$39,614	\$147,574	\$497,261	\$9,111,178
LIABILITIES				
Accounts Payable	\$0	\$0	\$0	\$0
Salaries & Benefits Payable	0	0	8,298	0
Due to Other Governments	155	147,574	488,963	9,111,178
Trusts Payable	39,459	0	0	0
Compensated Absences	0	0	0	0
TOTAL LIABILITIES	\$39,614	\$147,574	\$497,261	\$9,111,178

See Accompanying Independent Auditors' Report

Schedule 3

Area Schools	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$3,417	\$40,405	\$694	\$0	\$529,356	\$175,003	\$936,202
0	0	0	0	0	75	38,690
888	1,315	414	0	0	222	16,279
698,263	5,674,172	155,354	0	0	2,762	16,080,520
0	0	0	0	0	21,779	22,778
0	0	0	0	0	85	85
389	3,638	63	0	0	5,824	15,191
\$702,957	\$5,719,530	\$156,525	\$0	\$529,356	\$205,750	\$17,109,745
\$0	\$0	\$0	\$0	\$0	\$3,377	\$3,377
0	0	0	0	0	1,699	9,997
702,957	5,719,530	156,525	0	529,356	151,087	17,007,325
0	0	0	0	0	49,587	89,046
0	0	0	0	0	0	0
\$702,957	\$5,719,530	\$156,525	\$0	\$529,356	\$205,750	\$17,109,745

BREMER COUNTY
Waverly, Iowa

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY
ASSETS AND LIABILITIES – AGENCY FUNDS
Year Ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances Beginning of Year	\$32,779	\$124,389	\$394,460	\$10,160,763
Additions				
Property and Other County Tax	0	146,569	292,997	9,027,306
E911 Surcharge	0	0	0	0
State Tax Credits	0	6,506	11,725	531,848
Office Fees and Collections	457,508	0	0	0
Auto Licenses, Use Tax and Postage	0	0	0	0
Assessments	0	0	0	0
Trusts	466,050	0	0	0
Miscellaneous	775	50	10,108	3,810
Total Additions	924,333	153,125	314,830	9,562,964
Deductions				
Agency Remittances				
To Other Funds	302,427	0	0	0
To Other Governments	155,640	129,940	247,795	10,612,549
Trusts Paid Out	459,431	0	0	0
Total Deductions	917,498	129,940	247,795	10,612,549
Other Financing Sources (Uses)				
Operating Transfers In (Out)	0	0	35,766	0
Balances End of Year	\$39,614	\$147,574	\$497,261	\$9,111,178

See Accompanying Independent Auditors' Report

Schedule 4

Area Schools	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Totals
\$575,498	\$5,613,700	\$169,706	\$6,867	\$421,246	\$159,001	\$17,658,409
698,296	5,647,489	156,439	0	0	81,334	16,050,430
0	0	0	0	0	95,253	95,253
30,107	275,603	9,023	0	0	4,357	869,169
0	0	0	0	0	0	457,508
0	0	0	0	5,464,696	0	5,464,696
0	0	0	148,844	0	0	148,844
0	0	0	0	0	156,188	622,238
232	4,260	0	0	0	133,005	152,240
728,635	5,927,352	165,462	148,844	5,464,696	470,137	23,860,378
0	0	0	0	153,889	0	456,316
601,176	5,821,522	178,643	155,711	5,202,697	262,028	23,367,701
0	0	0	0	0	125,594	585,025
601,176	5,821,522	178,643	155,711	5,356,586	387,622	24,409,042
0	0	0	0	0	(35,766)	0
\$702,957	\$5,719,530	\$156,525	\$0	\$529,356	\$205,750	\$17,109,745

BREMER COUNTY
Waverly, Iowa

**SCHEDULE OF REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES**

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property & Other County Tax	\$5,207,785	\$4,282,234	\$3,932,252	\$3,774,894
Interest & Penalty On Property Tax	44,451	44,487	46,391	44,020
Intergovernmental	3,644,926	3,574,954	3,921,006	4,383,594
Licenses & Permits	155,811	137,844	135,170	114,515
Charges For Service	1,274,480	1,167,851	924,484	836,128
Use of Money & Property	223,839	256,342	385,377	518,850
Miscellaneous	373,885	210,365	120,897	180,847
Total	<u>\$10,925,177</u>	<u>\$9,674,077</u>	<u>\$9,465,577</u>	<u>\$9,852,848</u>
Expenditures:				
Current:				
Public Safety & Legal Services	\$1,890,744	\$1,615,367	\$1,507,052	\$1,408,421
Physical Health & Social Services	483,770	411,970	459,202	433,339
Mental Health	1,531,881	1,530,660	1,489,916	1,808,004
County Environment &				
Education Services	1,281,420	920,217	1,181,270	1,491,882
Roads and Transportation	3,377,603	2,962,086	2,896,916	3,073,668
Governmental Services To Residents	457,446	382,252	356,189	313,480
Administration Services	1,081,711	1,686,453	1,435,514	1,632,714
Non-Program	0	0	0	29,987
Debt Services	965,218	58,181	60,106	62,032
Capital Projects	1,994,118	533,767	708,084	301,052
Total	<u>\$13,063,911</u>	<u>\$10,100,953</u>	<u>\$10,094,249</u>	<u>\$10,554,579</u>

See Accompanying Independent Auditors' Report

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting

To the Officials of Bremer County:

We have audited the financial statements of Bremer County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 7, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bremer County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved, except for items (1), (2), and (7).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bremer County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Bremer County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A) and (B).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bremer County and other parties to whom Bremer County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bremer County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

January 7, 2005

BREMER COUNTY
Waverly, Iowa

SCHEDULE OF FINDINGS
Year Ended June 30, 2004

Findings Related to the General Purpose Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

- (A) **Segregation of Duties** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the County Officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control.

Conclusion – Response accepted.

- (B) **Information Systems** – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- Backup tapes are not stored in a secured offsite location.
- The County does not have a written disaster recovery plan.

Recommendation – The County should store backup tapes offsite and should develop a written disaster recovery plan.

Response – The County will comply in the future with these recommendations. County officials have discussed and agree that these policies are needed.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting:

- 1 **Official Depositories** – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were exceeded during the year for the Treasurer and Recorder. Also, there were no depository resolutions for one of the Sheriff's accounts, one of the Auditor's accounts and one of the Treasurer's accounts. We also noted a retired employee's name was not removed from the signature card for a Treasurer's account.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board. Only current employees should be authorized signers on County accounts.

Response – We will adopt a new depository resolution to increase the maximum authorized deposit amount for the Treasurer and Recorder. The new depository resolution will include all of the Sheriff's and Auditor's and Treasurer's accounts.

Conclusion – Response accepted.

- 2 **Certified Budget** – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the debt service function. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will watch appropriations by department more closely and will award additional appropriations when required.

Conclusion – Response accepted.

- 3 **Questionable Expenditures** – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 4 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- 5 **Business Transaction** - No transactions between the County and County officials or employees were noted.
- 6 **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 7 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not. However, the minutes were not published as required by Chapter 349.18 of the Code of Iowa and Attorney General's opinions dated 2/10/85, 12/31/86, and 5/2/89.

Recommendation – The minutes should be published in accordance with Chapter 349.18 of the Code of Iowa.

Response – We will make an effort to provide the minutes to the newspaper within seven days of the meeting as required by the Code of Iowa.

Conclusion – Response accepted

- 8 **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- 9 **Resource Enhancement and Protection Certification** - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 10 **Economic Development** – During the year ended June 30, 2004, the County spent \$5,000 for economic development, which may not be an appropriate expenditure of public funds since benefits to be derived have not been clearly documented. According to Chapter 15A of the Code of Iowa and an Attorney General’s opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discuss specific criteria to be considered in documenting the public purpose.

Recommendation – The Board should evaluate and document the public purpose served by the expenditure before authorizing payments.

Response – We will consider these requirements in the future.

Conclusion – Response accepted.

- 11 **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted

Recommendation – The budget should have been amended before disbursements were allowed to exceed the amounts budgeted.

Response – We will monitor the budget more closely and will amend the budget when necessary.

Conclusion – Response accepted

- 12 **Financial Assurance** - The County is required to demonstrate financial assurance for closure and postclosure care costs for the landfill. The County has chosen a local government dedicated fund as provided in Chapter 111.6(8) of the Iowa Administrative Code.
- 13 **Solid Waste Fees Retained** – The County used or retained the solid waste fees in accordance with Chapter 455B.310(3) of the Code of Iowa.

News Release

Gardiner Thomsen today released an audit report on Bremer County, Iowa.

The County had local tax revenue of \$21,786,002 for the year ended June 30, 2004, which included \$1,115,674 in tax credits from the State. The County then forwarded \$17,354,576 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$4,431,426 of the local tax revenue to finance County operations, a 5% decrease from the prior year. Other revenues included charges for service of \$1,436,537, operating grants, contributions and restricted interest of \$3,449,062, unrestricted investment earnings of \$82,760 and other general revenues of \$990,860.

Expenses for the County operations totaled \$13,063,911, a 29% increase from the prior year. Expenses included \$3,377,603 for Roads and Transportation, \$199,418 for Capital Projects, and \$1,890,744 for Public Safety and Legal Services.

The significant decrease/increase in revenues and expenses is due primarily to reduced State credits and capital projects expenditures respectively.

A copy of the audit report is available for review in the Office of the Auditor of State and the County Auditor's office.

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